

13-Jan-2022

Freshworks, Inc. (FRSH)

Needham Growth Conference

CORPORATE PARTICIPANTS

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

OTHER PARTICIPANTS

Scott Berg

Analyst, Needham & Co. LLC

MANAGEMENT DISCUSSION SECTION

Scott Berg

Analyst, Needham & Co. LLC

Hi. Good morning, everyone. Welcome to Needham's 24th Annual Growth Conference. My name is Scott Berg. I lead our enterprise software and SaaS research efforts here for the company. Today with us, we have Freshworks and the company CFO, Tyler Sloat. Tyler, welcome. Good morning.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Scott, thanks for having me. Good to see you. Happy New Year.

Scott Berg

Analyst, Needham & Co. LLC

Yeah. Happy New Year, indeed. Tyler is a well-known participant to this conference over the last several years, for those that might not be familiar with him. I have two bits of housekeeping items. First of all, the company wanted me to read a quick legal disclaimer.

Good morning and afternoon. I guess it's all morning at the moment. Before we get started, Freshworks would like to remind you today's discussion may contain forward-looking statements about their expected financial and operational performance. Please refer to the various risk factors included in the 10-Q and other SEC filings relative to any forward-looking statements. Thank you.

The other housekeeping item is we will take Q&A from the audience when we're done here. There is a Q&A button on the presentation window that you all are watching. Feel free to enter in any questions there. I will take them at the end of our scripted questions here. And then, I guess, with that, we'll just get started.

QUESTION AND ANSWER SECTION

Scott Berg

Analyst, Needham & Co. LLC

Tyler, Freshworks recently became a public company back in September. For those that may be less familiar with the name, can you give a brief overview of the company and maybe the mission of the company and its core markets you compete in today?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



Sure. So I'll give the quick background, Scott. So, Freshworks, we are a company founded out of India. We've been a – we are a US company and have been since day one, but really our roots are found out in India. The company started with Girish, our founder, really seeing the problem in an experience that he had. He had built four customer support solutions over his professional career and realized that it could be done better, but also that there was a shift, and the shift is moving towards the consumer in a different way that consumers are going to want to interact with their vendors.

And as such, he created Freshdesk, and that was our first product. So, that's a customer support solution selling into that broader CX market. In there, we are competing with Zendesk and Salesforce and a litany of others, and that is our biggest product.

As we went through that journey, we realized that a bunch of customers were actually using Freshdesk for their internal IT needs. But also, the other realization was that it's not really what they needed. They needed a purposebuilt ITSM solution.

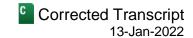
And so, we launched Freshservice, and that product is now our second-biggest product and growing really well, dealing – selling into the CIO organization to handle internal ITSM needs as well as ESM needs for other functions within a company, whether any internal kind of ticketing and needs that a company might need.

And lastly, there's also the recognition that now companies, as they go out and engage, they're going to need kind of this 360-view of their customer, and that view starts with the marketing through to the sales and then to support and success. And with that realization, we've had a Freshmarketing (sic) [Freshmarketer] (03:35) and a Freshsales product that we have launched over the years. But we really re-architected both of them, brought them on the same platform, have the intent to do the same with Freshdesk and launched our Freshsales and Freshmarketer products to provide a whole CRM solution to the market.

Now, the distinction of, like, how are our products different, so we're playing in these massive markets of kind of support, ITSM, and CRM. And sales and marketers, a subset of CRM, which typically includes desk, but it's \$120 billion market. And so what's different about our products? So number one, they're based on the modern needs of what a company needs today and what customers are demanding today in terms of omnichannel communications, Al and ML capabilities. But fundamentally, the reason that customers choose us is that our products are built for the end user, which means that they're incredibly easy to try, really easy to buy and really easy to implement.

And so that you can get immediate ROI with all the feature functionality that you need. Because over time, we just continue to innovate and now we have products that are 10 years old for desk, eight years old for ITSM that we've

Needham Growth Conference



been able to keep to the core of great onboarding and user experience, but now added all that feature functionality. We're an international company. 42% of our revenue is from North America, about the same from Europe and the rest is from the rest of world, which is broader APAC.

Scott Berg

Analyst, Needham & Co. LLC

Q

Got it. You touched on being an international company from day one. How has that influenced your business development growth and maybe market outlook over the past few years? Because I ask the question because most of the private companies I work with tend to be very US-centric, especially in the early days, whether it's \$100 million or \$200 million worth of revenue, it's still 75%, 80%, 85% of their revenues. And the viewpoint when you're a domestic versus global company is certainly different.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



Yeah. I think that's actually one of our competitive advantages. One, obviously, the majority of our people are in India and we have an operational and efficiency advantage as a result of that. But secondarily, the thought process of the way we go to market because you're absolutely right, if you start in the Bay Area and you're a traditional technology company come out of Silicon Valley. You start with North America sales and you start to build up that sales force and start hiring people, maybe in London or France, and you kind of move slowly to the Europe, and then expand over time.

We were international since day one. In fact, the first customer is technically international because our people were in India and I think first customer is in Australia. And it has forced us to think globally from the first moment that we launched. And globally, as we go kind of attack that SMB globally, but also as we built out our field presence globally. And so our products, one, I didn't mention is they built for the end user, which makes them naturally attractive to the SMB. And since they're so easy to on board, right, we can go penetrate that market unlike other companies.

And so our products are actually relevant to the smallest customers all the way up to the largest customers and specific to our desk and sales and marketing products, right, that SMB machine, which is all run out of India. We figured out how to efficiently go target companies across the globe. Let them come land and try the products and then bring them on board and then go service them, which is a huge advantage that we've had.

So we've had to build multi-language capability, had to be able to figure out how to service customers in 120 different countries. And that is something that we think we can just kind of keep investing in but naturally grow now as opposed to making these huge decisions on which geo to go to next week next, which is a huge advantage for us.

Scott Berg

C

Analyst, Needham & Co. LLC

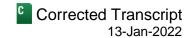
Got it. I know we mentioned earlier that you recently went public. Has going public impacted the business at all? And I know four months is a short sample size to look at. But has there been any sort of impact to note?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Д

Needham Growth Conference



Yeah, I think so. So the first thing I'll say is everything I'm talking about is Q3, right, all the – any numbers that I'll reference, because even though we're calendar year-end, we're closing up Q4 right now and we'll have earnings. We haven't announced anything, right, so everything I'll reference is Q3.

I think for any company the maturity and the discipline that comes with going public is actually a good thing, right? It forces you to think about the business a little bit differently. You also have a recognition that you have a different constituent that you're accountable to, right? We had brought in [ph] money (08:15) as a private company. We have great investors, but now we have new investors, and our job is to make sure that those investors can get a return from what they put into Freshworks stock and as they are backing us.

And then also the cadence, right, on that quarterly cadence that we are now reporting every single quarter, that you have to act like a public company before you're a public company and we did do that. And so you can dry run it and pretend as much as possible. But until you actually do it, it's – you're not there. So, that's one side of it.

The other side is I still believe that Freshworks as a brand, we don't have the recognition that we need globally, and there are still people out there that just don't understand what we do and why we exist. Having that exposure as a public company is helping that and that will – we would expect to continue to help.

Scott Berg

Analyst, Needham & Co. LLC

So I have – in the months I've had a chance to talk about Freshworks, I really categorized it as what I call a SaaS 3.0 company, much more moderate kind of platform and technologies. But you all compete in a highly competitive end market with large established competitors. You mentioned – certainly mentioned some of them earlier. Can you talk about how your approach to solving customer's problems is differentiated and why do you think you've been able to compete so effectively against them?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

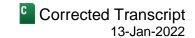
So I touched on a little bit where products built for the end user, and let me just describe what that means. I've been – Freshworks is kind of the fifth private company I've worked with, and I've had the kind of three going public and one sold, and most of them have been software companies. And the Holy Grail SaaS came about. At the very beginning, it was Salesforce and Zendesk and others about really easy-to-use software. In fact, Salesforce used to have the end of software or whatnot.

And that was the whole promise at the beginning. But if you look at where those companies have gone, the implementations for some of those products now and the amount that companies were spending to maintain those products are back to the levels of old on-premise software with server rooms. And so that promise seems to have gone away.

Freshworks, the whole DNA is to stay true to that promise, and this is why it's so important. You can literally land on our website, start a trial today. That trial, you'll have 21 to 25 days to use the entire product set, and at the end, you can click a buy button. And that trial that you just had now becomes your production tenant. That's unlike most softwares out there. And the difference also is that it's not some demo environment that has kind of scaled-down functionality. It has everything you need in there, and that is the way we've built our products.

The Holy Grail that I mentioned earlier is that if you can stay true to that – great usability, great user experience, and really easy onboarding, and then over time, add feature functionality that an enterprise company needs, you wake up and now your products are relevant for smallest, all the way up to the biggest. But you still have this

Needham Growth Conference



great ROI because there's very little time to go live and very little administration that you need to actually run your products, and that's where we're at right now.

So when we go in and we're competing, we are seeing customers evaluate our competitors and look at how difficult it is going to be to put these products in, how kind of clunky they're going to be once they are in, how much administration that they're going to need and then they look at Freshworks and said, this has everything I need and I don't need any of that overhead. And that's why we're winning in a lot of those deals.

Scott Berg

Analyst, Needham & Co. LLC

Yeah. I've had the chance to talk to one of your customers who implemented Salesforce, who'll call it five months or five years ago, their CRM solution. The implementation period was just shy nine months when they moved over to your solution for CRM. I think you said it was three and a half weeks [indiscernible] (12:32).

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Yeah.

Scott Berg

Analyst, Needham & Co. LLC

It's fantastic.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Yeah. Yeah. No. And that's the whole point, right? And if you're [ph] going to be (12:38) a mega enterprise that wants to come in and build out a ton of customizations and where your product is going to look like an octopus, it's probably not going to be the right fit for us. But we – look, our job is to go in and say, you actually don't need to do that. You can have all of the workflows that you need because we have thousands of apps that have been built in our app marketplace is one of the bigger marketplaces out there. That can extend the products out. But you don't need to go in and highly customize them. And you also, in fact, don't need a huge administration body within your IT force to actually run the products. They should just run. And that's the whole point. And that's what software should do these days for companies.

Scott Berg

Analyst, Needham & Co. LLC

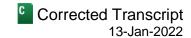
100% concur. Moving to product a little bit now. Freshdesk, Freshservice and Freshsales are all customer-centric applications. One might be an internal customer versus external, but they're still customer-centric. How should we think about the company's product roadmap? Do you continue to surround the customer, or is there maybe something else within the enterprise that you might target?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

We really think of it as kind of two sides of the same coin. So on the outside, it's – what do you need as a company to go service to your customers. And when we look at that, it starts as a Freshmarketer and it goes to Freshsales and it goes to Freshdesk with all the omnichannel capabilities. When we say omnichannel, it's all around messaging and chat along with traditional email and phone. And then the fresh success, fresh successes

Needham Growth Conference



of the product that we have. We don't talk about it a ton. It's actually a pretty slick product our entire Customer Success Group uses internally. And that is something probably living in game sites world, right?

That journey for our customers to be able to go service their customers is an entire 360-view. And we've talked about how the product journey that we're going on will eventually tie all of that together for our customers. Today is really marketing to sales with integrations into desk. By tying all that together, we think is going to be vitally important for the net – for the future of how companies want to engage with their customers. And that's what we're headed down doing and we've been doing that.

If you flip that coin, we think that internally to a customer, you have similar experiences where we have our ITSM product, Freshservice, which is really the CIO's toolkit to go service the employee base internally. But that employee base also has a jar needs and then it goes down in through to some financings around payroll. Now that doesn't mean we're going to go build all of it, but we do have a Freshteam's product, which is a lite – I would call it a lite HRMS. And it's very, very early and probably a great product for SMBs, won't have all the enterprise-grade functionality they need over time.

But just as we've done with all of our other products, we keep innovating, we're funding it. And over time, we see the kind of the same need for the employee 360. The whole goal is that you're never going to actually get 360 on either side, either customer employee. Gee, likes to say, the best you're going to get is employee 270 or something like that.

But if you build your products the right way so that they can integrate with the other solutions that a company might have as well as their internal solutions, then you can still provide the same end result. And that's the way we're thinking about it and that's what we're building right now.

Scott Berg

Analyst, Needham & Co. LLC

Okay. Can you give a high-level overview of the underlying Neo development platform? Why is this such an important piece to the offering today and how does it help you grow and extend the capabilities of the platform?

Tyler Renwick Sloat

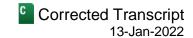
Chief Financial Officer, Freshworks, Inc.

So, the way I think about Neo, which is our platform. It's unlike, say, Salesforce has a Force.com, or even it was where, where I came from where we have platform and we [ph] saw the (16:34) platform fee or you get access to the platform and you could do things okay. You don't buy Neo at Freshworks. Think about Neo as a technology platform, and it serve – it has really two main purposes. One, helps us internally at Freshworks, innovate faster. So, it has a ton of shared services that are owned by the platform group that all of our other products get to take advantage of.

And so, – and being able to do that, number one, it links those products together. But two, the business units themselves, say, if I'm in the Freshdesk Group, I can focus on the functionality specific to desk, and I don't have to replicate other functionality that would be common across all the other products. We're constantly thinking about what do we pull into the platform group and use as a shared service that's going to be used across all products, like single sign-on and things like that is a great example of it.

The second big piece of Neo is the extension capability. So, that same way that our internal engineers and product groups get to utilize, we allow customers to also get access to a lot of Neo that they can build applications and extensions on to the products so that allows them to extend out.

Needham Growth Conference



Now we have ISVs or whatnot who build apps for monetization, right, that they want to actually sell to other companies, or if they are implementing on our behalf, which we have a lot of partners who do that, that they would provide additional stack of services to their customers outside of what Freshworks would provide. But we also have a lot of customers who do their own custom kind of things that they want to integrate into their own internal systems, and they can do that all on Neo.

Neo also has all of – [ph] is resonant (18:21) of all – a lot of our Freddy capability, which is our kind of machine learning Al capabilities. And we do think for those capabilities, the more that Al can look over all of the data, the smarter it can get. And so that's the way we think about it.

Scott Berg

Analyst, Needham & Co. LLC

A constant piece of positive feedback we received from customers is the company's willingness to closely work with them to understand new features and functionalities that are in high demand, but also in rapidly developing corporate new ideas into that functionality of the platform. I guess, a lot of vendors will talk about that, wanting to work with customers, but that seems to be a core culture of how you develop product. Can you maybe talk – help us through why that's so important to the company at the end of the day and how you're able to maintain that as much as anything?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

So we do have a culture code called CHAT. And the T in CHAT is true friend to the customer. So when we think about true friend to the customer, it is not just how are we going to bring customers in and listen to their feedback and allow them to help us make our products better. We have over 50,000 customers globally that are paying us, we also – we have much more than that who are using our free products. And most of our products have a premium version to it, and so when you take that 50,000, it's a much bigger number if you think about non-paying customers. But it also means that true friend of the customer is that, if customers are experiencing pain or especially as they're going through COVID that we are going to do right by the customer. We think in the long run that's the right thing to do.

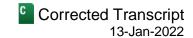
When we think about the product itself and how do we keep that true to the culture that we're fundamental that if you don't listen to your customer and bring them in, they're going to leave. And we've invested heavily over the last couple of years specific to a customer success group as well that now has — is in charge of bringing together customers, creating forums, creating feedback loops with our product organization even to the extent that as a management team, we have something called voice of the customer that at least once a month we will have customers join our management meetings just to have open dialogue with the entire executive staff on how they're using our product, what would they like to see, is there anything else we can be doing differently for them. And you get some folks who joined, they're like, holy cow, you have your CEO all the way down on this call and it's just me. And we think it's really important to spend that time and then not just listen but actually take the feedback and help build what our customers need and so it is actually a big part of the culture.

Scott Berg

Analyst, Needham & Co. LLC

Last question on [ph] product sales (21:18) at the moment is, what's customer adoption been like on the multiproduct area? You land heavy in one [ph] or (21:28) customer buys another module is, if you look across your

Needham Growth Conference



product and where your product set today, how many of them are using multiple platforms? And is there one or two that they tend to use more at the end of the day in that combination?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. The numbers we put out is that right now [indiscernible] (21:44) high teens of customers are using more than one product. And the distinction is when we say using more than one product, it isn't necessarily mean desk, sales and/or service, which is our three main product lines. It could be an add-on product, so it could be what we would call omni-channel on the desk, which is inclusive of our core support functionality, but also our messaging capabilities and things like that. And so that is the distinction.

Clearly, in desk, it is natural for you – for a customer to add on some of those capabilities because that's what we think customers need and we can demonstrate that to them. We also see a lot of natural synergies, as I already mentioned from this Customer 360 view, from marketing to sales down to desk. And it's pretty early still on the CRM side, but we're making huge investments there and starting to see early traction. When we can demonstrate the value to customers, it's a natural thing for them to add.

The – there is no natural synergy, not synergy. There's – say there's two buyers on ITSM versus desk, right, one is an external facing product and one's an internal facing product. That one we have an advantage specifically if it's an ITSM customer that we've sold to the CIO and that CIO typically is involved in other purchasing decisions within our organization. And so, that one, we have some advantage, but you do still have to go through another sales cycle. So it's not just like an add-on that you would do.

When we talk about customers greater than \$5,000, which is one of our key metrics, the number of those customers that are using multiple products actually increases almost twofold. And so that one we see that, hey, as a customer grows on us, they get stickier, they are naturally going to take on more products. We also see that there's a lot of upside there, right, because high teens is not – that's not our goal. And our goal is to actually have our customers' utilizing much more of our technology. And so, we are focused on that.

Scott Berg

Analyst, Needham & Co. LLC

Okay. Moving to go to markets, I really like this question because we're seeing a lot in our space right now and investors coming with a lot of questions in this area, but it's about product-led growth. Can you talk about your core product-led or inbound go-to-market approach? Why has it been so successful and how can you continue to improve that funnel or that conversion or maybe retention of those customers over time?

Tyler Renwick Sloat

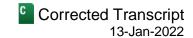
Chief Financial Officer, Freshworks, Inc.



Let me give a quick overview of kind of our go-to-market motions first, and then I can touch on how the PLG part of it is really more of a machine. But, first, we'll kind of break our – the way we attack the markets in the two fronts. One, what we call kind of that SMB space which is customers less than 250 employees. And that – this is a long tail of businesses globally, around the world. From that, it's all run out of India for us. There are sales people involved in that process, but naturally what happens is that it's more of a marketing effort to get potential customers to land and find us. So we have to go find them for them to find us.

They land, they can start a trial just from the website. Once they're in trial, they can just convert to production, and that's across essentially all of our products. While you're in trial, the sales efforts, that's when you're getting

Needham Growth Conference



contacted to make sure you know the full breadth of the product that's there, as well as to kind of find out what addition would probably be best for you as a customer and how many seats you need and things like that. That is a very fast motion.

I mentioned the trial process lasts 21 to 25 days. And so, when we see that, it's all about website hits and coming down, and then having that trial. That is product-led growth, right? There's a marketing effort, but it really is that process that is self-selection from a customer coming in and choosing us. As our products matured, we realized that larger and larger companies were starting to come in and engage with us, and those companies did have a requirement for a higher touch sale because there's going to be a contract or some negotiation or something like that.

And so we built out field presence. We built our field presence throughout North America and then Europe, and that is fed both from the inbound. So that field presence still gets fed from this inbound machine, which then goes to trial, and that creates leads. But we also have an outbound motion, which is more traditional enterprise sales of SDRs calling out and things like that, and that is a huge business for us.

Also on the ITSM, that tends to lean more towards the field. So, when we say mid-market, it's 250 to 5,000 employee businesses, and then enterprise for us is over 5,000. Our ITSM product naturally plays more there because it's companies that have an IT organization, typically a VP of IT or a CIO, and naturally they're larger. And so that even though fed by inbound, it also has an outbound presence.

The SMB presence is 100% fed by inbound, and that product-led growth comes in in twofold. One, they're just naturally – companies are naturally finding us either through organic search or they're prompted through a paid, and then it's just a natural motion, just start. There's no real onboarding. There's no professional services. It's very light touch. It's all product-led.

And then once they're on, we can demonstrate that company just naturally grow. And that's why our net retention rates are where they are. We've talked about being kind of this 110%-plus retention rate over time, but we're higher than that right now. And we can demonstrate that over time every single cohort has been positive, meaning that even though we are dealing with SMBs and they naturally have higher churn rates, that the companies who are staying are outpacing anybody [ph] who charge that (27:55) we are growing from cohort to cohort. And so that's – to us that's what product-led growth means. You have to let the products speak for themselves, you have to make it really easy for a customer to try it and buy it. And once you do that right, you get closer and closer to a frictionless sale.

Scott Berg

Analyst, Needham & Co. LLC

One more question for me. Pardon me, and then we will take a few from the audience. Again, if you'd like to ask a question, feel free to place it in the Q&A field within the presentation window.

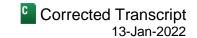
Tyler, how do you continue to balance what has been the company's core strength, a focus on product whether it's ease of onboarding or use your rapid time to development. With your methodical move upmarket and some might think those are independent decisions. But at the end of the day, it's actually really important, right, because the product strategies are different. Is that something you feel that the company, I guess, has managed really well, or how do you think about that?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Д

Needham Growth Conference



Yeah. I think the way I think about it, how we discuss it internally, is that we're actually not trying to methodically move upmarket. We want to be pulled from market and that I think is really important and it's a very difficult discipline to have [indiscernible] (29:16) we're perfect at it, but the difference is that when you're pulled into deals, it's a customer saying, hey, we think you guys are going to be relevant and sufficient for what we need. And then come obviously prove that.

But we've already chosen to bring you in. As opposed to, when I talk about this outbound, if you spend all your time on this outbound machine that you are really hunting like crazy, then it's not product-led growth. And then for us, we change – we turn into looking like what is big enterprise software companies that have really long sales cycles, very expensive AEs and reps that are living and dying off of the mega deal. And it also leads, which I think is the most dangerous to product road map hijacking. So when you're selling into those big deals, those big deals come with requirements and that can be the death for enterprise software companies where that you aren't building based on what the majority of your customers need and what your vision is, you're building to meet the needs of a few. Sometimes it works out it's the same. Oftentimes, it work out – works out to be not the same.

We are trying to stay true to let's build to our vision and for what the majority of our customers need. Over time, if we can continue to add feature and functionality across all of our products that were going to meet the needs for the larger customers, that's fantastic. Because then we can just naturally go in, still prove to them a very easy on board, a really easy product to use and administer, but they have everything they need. That would be the holy grail. And so as we're moving up, we're selling now squarely in the mid-market and kind of that low enterprise, we have some really large logo brand name customers, but oftentimes they're divisions within those organizations.

And if somebody puts out like a mega RFP led by some GSI or something like that, that's not our business, and we're not going to actually play with that. We're going to go in and prove out what the – what our customers use cases are with what we have, not promised futures and demonstrate what we have is we're going to meet your needs, we're going to be able to be a great partner to you. And that's the goal.

Scott Berg

Analyst, Needham & Co. LLC

In my opinion, at least, the approach is great, so much easier when you're getting pulled than when you're trying to push [ph] a different motion (31:48).

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Yeah.

Scott Berg

Analyst, Needham & Co. LLC

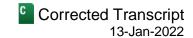
Couple questions from the audience here. Within expansion, how much comes from seat count growth versus adoption of additional modules?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Yeah. So we haven't broken out the exact numbers, but when we look at our expansion numbers and our upsell numbers, it kind – it goes through three kind of tiers. By far, the majority is seat expansion, so there's natural agent expansion, which is great because a lot of this is really very low friction and superefficient, right? If you think about the SMB, as they literally hire in another person, they're adding a seat and it just happens.

Needham Growth Conference



On the larger company, seat expansion can be across divisional sell, which does happen a lot. And that's when we've landed with a larger customer and proven success. And then those customers introduce us to the other division that sit next to them, and we can expand out through organizations that way. So it's still a seat expansion, but it feels more like a brand new deal.

The second is addition upgrades. And so that is a customer moving from one addition to the other, which is naturally an uplift in cost. And the third is additional products, and that's when they would add a third product. I could see as our cross-sell motion increases, right, that that product one could actually start bumping up. But right now, that's the hierarchy that we have.

Scott Berg

Analyst, Needham & Co. LLC

Okay. Next question is, what percent of customers are using more than one product? I think you kind of gave that number before, it's about 19% overall today. What is the sales strategy to drive greater product adoption?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

So I think there's two questions in that. Product adoption, I actually look at it on the products that you have bought, how are you actually driving utility of those products which I think is really important. So I already mentioned the work we've done on our customer success group and now the capability and using our own product [indiscernible] (33:54) utility metrics. So that if I have purchased 100 seats of Freshdesk, am I using 100 seats, what am I doing with those 100 seats, what is the utility metrics across that? So that's when I say product adoption, that's what I first think about actually.

We know that when we get to certain thresholds and utility churn comes down. And so when we think about our onboarding where we don't have very much professional services, so we do have customers who will engage us to do onboarding. But that onboarding, as you already mentioned with your anecdote, is really quick. So a lot of it's around configuration and maybe data migration. But we're talking like longest is in months not like quarters. But we also have a digital adoption programs that are designed to help customers do it themselves. But when we do that, how do we make sure that they're adopting so that they get the highest utility.

In terms of cross-sell motions on product adoption, which is multiproduct adoption, we have a lot of initiatives right now. As we've innovated and started to integrate Freshsales and Freshdesk and Freshmarketer closer and closer together, I think we're going to be able to prove that the value that a customer would get by using these products together is going to be – it is going to be highly advantageous for that.

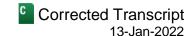
Scott Berg

Analyst, Needham & Co. LLC

Well, that's the last question that we have from the audience. So with that we'll give everyone about 2 or 3 minutes more in their day. I wanted to thank everyone for joining us. Tyler, especially you, thank you so much for spending the time here at the conference. If anyone needs anything, feel free to reach out to Needham representatives and we will certainly help you as we can. Thanks again...

[indiscernible] (35:28)

Needham Growth Conference



Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Thanks for having me, Scott.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, Factset Calistreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2022 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.